

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

**FINANCIAL STATEMENTS, OMB CIRCULAR A-133
SUPPLEMENTARY REPORTS AND
SUPPLEMENTAL INFORMATION**

Years Ended June 30, 2005 and 2004

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

**FINANCIAL STATEMENTS, OMB CIRCULAR A-133
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Years Ended June 30, 2005 and 2004

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.

We have audited the accompanying statements of financial position of **Northern Arizona Regional Behavioral Health Authority, Inc.** at June 30, 2005 and 2004, and the related statements of activities and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of **Northern Arizona Regional Behavioral Health Authority, Inc.** Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Northern Arizona Regional Behavioral Health Authority, Inc.** at June 30, 2005 and 2004, and the change in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2005 on our consideration of **Northern Arizona Regional Behavioral Health Authority, Inc.'s** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

We have audited the basic financial statements of **Northern Arizona Regional Behavioral Health Authority, Inc.** as of and for the year ended June 30, 2005, and have issued our report thereon dated October 10, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplemental Schedules of Activities (Schedules 1, and 2) and the Schedule of Expenditures of Federal Awards (Schedule 3) are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The information in those schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
October 10, 2005

**NORTHERN ARIZONA REGIONAL BEHAVIORAL
HEALTH AUTHORITY, INC.**

STATEMENTS OF FINANCIAL POSITION

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,908,791	\$ 5,092,769
Accounts receivable:		
Grants and contracts	29,091	3,909,550
Providers	1,774,704	612,001
Other	144,270	65,990
Notes receivable, current portion	300,000	548,542
Prepaid expenses	358,399	176,387
Deposits	3,405	3,852
Fair value of interest rate swap	-	3,319
TOTAL CURRENT ASSETS	<u>13,518,660</u>	<u>10,412,410</u>
NOTES RECEIVABLE, net of current portion	250,000	550,000
LAND HELD FOR SALE	163,964	161,338
PROPERTY AND EQUIPMENT, net	<u>5,186,887</u>	<u>5,160,466</u>
TOTAL ASSETS	<u>\$ 19,119,511</u>	<u>\$ 16,284,214</u>

<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 544,474	\$ 429,491
Amounts payable to providers	3,595,903	2,160,580
Amounts payable to funding sources	128,821	-
Unreported services payable	537,000	553,000
Accrued leave time	242,215	213,491
Unearned revenue	166,482	238,242
Current maturities of long-term debt	130,121	89,943
Current maturities of capital lease obligations	<u>15,485</u>	<u>13,513</u>
TOTAL CURRENT LIABILITIES	5,360,501	3,698,260
LONG-TERM DEBT, less current maturities	2,194,294	2,324,414
CAPITAL LEASE OBLIGATIONS, less current maturities	<u>16,693</u>	<u>31,516</u>
TOTAL LIABILITIES	7,571,488	6,054,190
UNRESTRICTED NET ASSETS	<u>11,548,023</u>	<u>10,230,024</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,119,511</u>	<u>\$ 16,284,214</u>

See Notes to Financial Statements

**NORTHERN ARIZONA REGIONAL BEHAVIORAL
HEALTH AUTHORITY, INC.**

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
REVENUES AND GAINS		
Arizona Department of Health Services	\$ 87,126,055	\$ 75,432,626
Provider service fees	700,000	600,000
Other services	84,830	260,480
Interest income	127,057	61,839
Other grants and contracts	91,440	60,539
Miscellaneous	8,374	12,053
TOTAL REVENUES AND GAINS	<u>88,137,756</u>	<u>76,427,537</u>
EXPENSES		
Program service fees distributed to providers	80,305,966	69,877,666
Salaries	3,590,171	3,454,504
Employee related expenses	921,071	864,558
Professional and outside services	307,255	334,106
Travel	120,224	109,407
Occupancy	269,336	308,734
Operating	874,843	800,705
Depreciation and amortization	329,933	334,692
Interest	100,958	104,628
TOTAL EXPENSES	<u>86,819,757</u>	<u>76,189,000</u>
CHANGE IN NET ASSETS	1,317,999	238,537
NET ASSETS, BEGINNING OF YEAR	<u>10,230,024</u>	<u>9,991,487</u>
NET ASSETS, END OF YEAR	<u>\$ 11,548,023</u>	<u>\$ 10,230,024</u>

See Notes to Financial Statements

**NORTHERN ARIZONA REGIONAL BEHAVIORAL
HEALTH AUTHORITY, INC.**

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,317,999	\$ 238,537
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	329,933	334,692
(Gain) loss on disposal of equipment	(7,383)	18,496
Change in fair value of interest rate swap	3,319	(3,319)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contracts receivable	3,880,459	(2,803,313)
Provider receivables	(1,162,703)	(174,344)
Other receivables	(78,280)	29,134
Prepaid expenses	(54,862)	5,992
Deposits	447	(301)
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,167)	(316,528)
Amounts payable to funding sources	128,821	(22,899)
Amounts payable to providers	1,435,323	(1,520,263)
Unreported services payable	(16,000)	261,000
Accrued leave time	28,724	(37,066)
Unearned revenue	(71,760)	(6,537)
Net cash provided by (used in) operating activities	<u>5,721,870</u>	<u>(3,996,719)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes receivable	548,542	1,300,000
Proceeds from sale of property	9,763	3,650
Proceeds from sale of investments held for performance bond	-	4,621,000
Purchase of property and equipment	(358,734)	(125,689)
Advances to providers	-	(1,750,000)
Increase in land held for sale	(2,626)	(2,795)
Net cash provided by investing activities	<u>196,945</u>	<u>4,046,166</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(89,942)	(82,540)
Payments on capital lease obligations	(12,851)	(16,718)
Net cash used in financing activities	<u>(102,793)</u>	<u>(99,258)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,816,022	(49,811)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,092,769</u>	<u>5,142,580</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,908,791</u>	<u>\$ 5,092,769</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 97,784</u>	<u>\$ 99,500</u>
SUPPLEMENTAL DISCLOSURE ON NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired under capital lease obligations	<u>\$ -</u>	<u>\$ 18,877</u>

See Notes to Financial Statements

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004

(1) Organization operations and summary of significant accounting policies

Nature of operations - Northern Arizona Regional Behavioral Health Authority, Inc. (NARBHA), located in Flagstaff, Arizona, is an Arizona nonprofit corporation. Through a contract with the Arizona Department of Health Services (ADHS), which expires June 30, 2008, NARBHA has been designated as the Regional Behavioral Health Authority (RBHA) for the geographic service area of Apache, Coconino, Mojave, Navajo and Yavapai counties. NARBHA is responsible for managing and maintaining an organized, comprehensive behavioral healthcare delivery system for the benefit of eligible members within its geographic service area. NARBHA functions as a behavioral health management organization and does not provide direct healthcare services to eligible members. Direct behavioral healthcare services are provided to eligible members by a network of subcontracted service providers.

The significant accounting policies followed by NARBHA are as follows:

Basis of presentation - The accompanying financial statements have been prepared in accordance with the *Health Care Organization's Audit and Accounting Guide* issued by the American Institute of Certified Public Accountants. NARBHA's financial statements are also presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, NARBHA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are those whose use by NARBHA has been limited by donors to a specific time period or purpose.

Management's use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents - Cash includes cash deposits in banks and cash equivalents. NARBHA considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Accounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC).

Grants and contracts receivable - At June 30, 2005 and 2004, NARBHA had amounts outstanding from ADHS and other state and federal agencies for the provision of comprehensive behavioral healthcare services for the benefit of eligible members within its geographic service area. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and contracts receivable. Management considers grants and contracts receivable to be fully collectible as of June 30, 2005 and 2004 and, accordingly, an allowance for doubtful accounts is not considered necessary. At June 30, 2005 and 2004, approximately 50% and 99%, respectively, of grants and contracts receivable were due from ADHS.

Interest rate swap - NARBHA accounted for its interest rate swap agreement in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. SFAS No. 133 requires that all derivative instruments be recorded on the statement of financial position at their fair value. Changes in the fair value of derivatives are recorded each period as a change in net assets. The interest rate swap expired in May 2005.

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004

(1) Organization operations and summary of significant accounting policies (continued)

NARBHA used an interest rate swap contract to convert its variable-rate mortgage note payable into fixed-rate debt. The resulting cost of funds is higher than that which would have been available under the variable-rate debt. Under interest-rate swap contracts, NARBHA agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts, calculated by reference to an agreed-upon notional amount.

For the year ended June 30, 2005, NARBHA recognized a change in fair value on the interest rate swap of \$3,319, which is reported on the statement of activities and change in net assets within miscellaneous revenue (See Note 6). The swap expired in May 2005.

Land held for sale - In February 2002, NARBHA purchased land jointly with The Guidance Center (TGC), a subcontracted service provider, with the intent of splitting the land and constructing a building on its parcel. When NARBHA purchased another building in May 2003, those plans were abandoned and NARBHA's share of the land was reclassified as an investment. In 2004, NARBHA elected to place the land for sale. In accordance with its joint purchase agreement, TGC has the right of first refusal to purchase the property from NARBHA at fair market value determined through an appraisal at the time of the exercise of the right of first refusal. Land held for sale is recorded in accordance with SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets*, at the lower of the cost or fair value less costs to sell. Subsequent to fiscal year end, NARBHA sold the land to TGC for approximately \$188,000.

Property and equipment - Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at fair value at the date of contribution to NARBHA. Betterments or renewals in excess of \$2,000 are capitalized. Depreciation is computed using the straight-line method over the following general range of estimated useful lives:

	<u>Estimated Useful Lives</u>
Buildings and improvements	10 - 30 years
Furniture and equipment	3 - 5 years
Vehicles	3 - 5 years

Impairment of long-lived assets - NARBHA accounts for long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets*. SFAS No. 144, requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the cost or fair value less costs to sell.

Revenue recognition - NARBHA's contract with ADHS requires NARBHA to provide behavioral healthcare services to all eligible Medicaid (Title XIX) and KidsCare (Title XXI) enrollees within its geographic service area. Under this agreement, NARBHA receives monthly capitation payments from ADHS based on a capitated rate and the number of Medicaid and KidsCare eligible enrollees, regardless of services actually provided by NARBHA and its subcontracted network of providers. NARBHA is responsible for healthcare costs which exceed its capitation. Capitation premiums are recognized in the month payment is received, in accordance with the ADHS policy issued May 1998.

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004

(1) Organization operations and summary of significant accounting policies (continued)

NARBHA's contract with ADHS provides for payment to NARBHA at a monthly rate equal to one-twelfth of specified annual contract maximums under ADHS' Subvention programs. In May 1998, ADHS issued, and NARBHA adopted, a policy requiring NARBHA to recognize ADHS Title XIX and Title XXI funds as revenue when received. The policy requires NARBHA to determine the amount of unexpended Federal Block Grant funds at year end, which must be deferred. At June 30, 2005 approximately \$99,000 of Federal Block Grant funds were deferred. There were no unexpended Federal Block Grant funds at June 30, 2004. ADHS policies also require NARBHA to return any unexpended Federal Block Grant funds if they remain unexpended for one year beyond when ADHS has granted them. NARBHA did not have any unexpended funds of this type at June 30, 2005 or 2004.

The Subvention programs provide behavioral healthcare services to lower income, uninsured or underinsured individuals not eligible for behavioral healthcare coverage under Medicaid or Medicare. The Subvention programs are funded through a combination of federal mental health block grant funds, State of Arizona Tobacco Tax Funds and State of Arizona appropriated funds administered by ADHS.

NARBHA has two other programs for which deferred revenue was recorded at June 30, 2005 and 2004. The first is the Correctional Officer/Offender Liaison (COOL) Program which funds the substance abuse and behavioral health service needs of high risk offenders on parole from the Arizona Department of Corrections. There were no amounts deferred at June 30, 2005. The second is House Bill 2003 which provides monies from the tobacco litigation settlement to be spent on training and children's Non-Title XIX services. Revenue under these programs is recognized as services are provided. Amounts received in advance of the performance of services are deferred and are included within deferred revenue in the accompanying statements of financial position. At June 30, 2005, deferred revenue relates primarily to funds received in advance for the provision of behavioral healthcare services to Non-Title XIX children and for various training activities related to children.

In addition to the above programs, NARBHA derives revenues from other grants and contracts to provide vocational rehabilitation and other related services. Revenue under these grants and contracts are recognized as services are provided.

Provider service fees - NARBHA provides technical assistance and support to a number of its subcontracted providers. This provider support typically includes such things as recruiting, benefits administration, contracting to obtain an audit from an external independent auditor, information system support, telemedicine and the administration and payment of pharmaceutical costs. The subcontracted providers are charged monthly for these services. NARBHA recognizes revenue as services are provided.

Healthcare service cost recognition - NARBHA contracts with various at-risk providers for the provision of a full range of behavioral healthcare services to eligible adults and children for Title XIX, Title XXI and Non-Title XIX programs. These subcontracted providers are compensated on a budgeted basis for eligible clients in these categories. Under this agreement, providers are at risk for providing behavioral healthcare services to eligible enrollees as specified in the agreements, including costs which exceed their budgeted rate. These services accounted for 92.5% and 92.0% of NARBHA's program service fees expense in fiscal 2005 and 2004, respectively.

The cost of all other behavioral healthcare services is on a fee-for-service, cost reimbursement or block purchase basis subject to contract ceilings for certain programs. These costs are accrued in the period in which the service is provided to eligible recipients based in part on estimates, including an accrual for behavioral healthcare services incurred but not yet reported to NARBHA.

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004

(1) Organization operations and summary of significant accounting policies (continued)

The estimate for unreported services payable is developed using actuarial methods based on historical experience, as well as information about current placements at outside inpatient/residential providers. While management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and adjustments are reflected in each period when necessary.

Expense allocation - Certain direct, indirect and administrative expenses are incurred which benefit more than one program. Such common expenses are allocated based upon an ADHS approved cost allocation plan as submitted by NARBHA, which is primarily based upon enrollment, claims and costs by lines of business.

Income tax status - NARBHA qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes. In addition, NARBHA qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

Reclassifications - Certain amounts in the 2004 financial statements have been reclassified to conform to the presentation of the 2005 basic financial statements. These reclassifications had no effect on the change in net assets for 2004.

(2) Notes receivable

Notes receivable consist of:

	<u>2005</u>	<u>2004</u>
Loan to provider to fund operations and the construction of an outpatient clinic. The loan matures June 30, 2007 and bears interest at 0%. The loan requires payments of principal of \$300,000 in fiscal 2006 and \$250,000 in fiscal 2007.	\$ 550,000	\$ 850,000
Loan to provider to fund operations and the purchase of land (Note 1). The loan required monthly payments of \$50,000 and matured December 2004.	-	148,542
Loan to provider to fund a construction deposit. The loan was repaid in fiscal 2005.	-	100,000
Total notes receivable	550,000	1,098,542
Less current maturities	(300,000)	(548,542)
Total notes receivable, long-term portion	<u>\$ 250,000</u>	<u>\$ 550,000</u>

As a result of these notes receivable, NARBHA is exposed to certain credit risks. NARBHA manages its risk by regularly reviewing the portfolio of notes receivable and by providing appropriate allowances for doubtful accounts, if necessary. At June 30, 2005 and 2004, notes receivable are considered by management to be fully collectible, and accordingly, an allowance for loan losses has not been provided.

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004

(3) Contract performance bond

In accordance with the terms of its contract with ADHS, NARBHA is required to post a performance bond with ADHS equal to 110% of the first monthly ADHS payment to NARBHA each fiscal year, based on gross capitation payments as specified in the contract. The amount of the bond is subject to adjustment as certain conditions change and its method of calculation is specified in the contract. The performance bond must be maintained to guarantee payment of NARBHA's obligations under the contract. The performance bond requirement was \$7,290,217 and \$6,621,000 for 2005 and 2004 respectively. Subsequent to June 30, 2005, the performance bond requirement was increased to approximately \$8.2 million. In 2005 and 2004, the performance bond requirement was met through the purchase of a surety bond.

(4) Property and equipment

Property and equipment consists of:

	<u>2005</u>	<u>2004</u>
Cost and donated value:		
Land and improvements	\$ 1,211,377	\$ 1,148,427
Building and improvements	3,876,030	3,876,030
Furniture and equipment	1,618,429	1,673,113
Vehicles	<u>123,344</u>	<u>149,366</u>
Total cost and donated value	6,829,180	6,846,936
Accumulated depreciation and amortization	<u>(1,642,293)</u>	<u>(1,686,470)</u>
Net property and equipment	<u>\$ 5,186,887</u>	<u>\$ 5,160,466</u>

Depreciation and amortization expense charged to operations was \$329,933 for 2005 and \$334,692 for 2004.

NARBHA has entered into various capital leases for certain office equipment. The leases expire through July 2008. Cost and accumulated amortization of such assets totaled \$67,267 and \$39,394 as of June 30, 2005, and \$72,219 and \$30,893 as of June 30, 2004, respectively.

(5) Capital lease obligations

The obligations under capital leases reflect the present value of future rental payments, discounted at the interest rates implicit in the leases (6.9%-18%). The future minimum lease payments required under the capital leases and annual maturities at June 30, 2005 are as follows:

Future minimum lease payments under the capital leases are as follows:

Years Ending June 30,

2006	\$ 16,839
2007	12,830
2008	4,593
2009	<u>319</u>
Total future minimum lease payments	34,581
Less amount representing interest	<u>(2,403)</u>
Present value of future minimum lease payments	32,178
Less current portion	<u>(15,485)</u>
Long-term portion	<u>\$ 16,693</u>

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004

(6) Long-term debt

Long-term debt consists of a mortgage note payable to a bank that is secured by the land and building on Yale Street in Flagstaff, Arizona, and requires monthly installments of approximately \$15,000 including interest at 3.98% through May 2005. Effective June 1, 2005, the outstanding principal of the loan is to be fully amortized and repaid in 83 principal payments of \$10,843 plus all accrued unpaid interest beginning June 30, 2005 and continuing each month thereafter. A final payment of all unpaid principal and accrued unpaid interest will be due and payable on May 30, 2013. The effective interest rate as of June 30, 2005 is 4.75% per annum.

The loan agreement contains various covenants pertaining to the maintenance of certain ratios and delivery of reports by a certain date. Management believes NARBHA was in compliance with these covenants at June 30, 2005.

The aggregate maturities of long-term debt outstanding at June 30, 2005 are as follows:

Years Ending June 30,

2006	\$ 130,121
2007	130,121
2008	130,121
2009	130,121
2010	130,121
Subsequent to 2010	<u>1,673,810</u>
Annual maturities of long-term debt	<u>\$ 2,324,415</u>

NARBHA entered into an interest rate swap agreement (the "Agreement") to reduce the impact of changes in interest rates on its floating rate long-term debt. At June 30, 2004, NARBHA had an outstanding interest rate swap agreement with a commercial bank, having a notional principal amount of approximately \$2.4 million. The notional amount decreases as principal payments are made on the debt. This Agreement effectively changes NARBHA's interest rate exposure on its floating rate mortgage note payable to a fixed 3.98%. The Agreement matured May 31, 2005. The fair value of the interest rate swap at June 30, 2005 and 2004 was \$0 and \$3,319, respectively, and the change in fair value on the interest rate swap was a decrease of \$3,319 for the year ended June 30, 2005 and an increase of \$3,319 for the year ended June 30, 2004.

(7) Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis as follows. Accordingly, certain costs have been allocated between program and supporting services benefited. Management and general includes expenses that are not directly identifiable with any specific program but provide for the overall support and direction of NARBHA.

	<u>2005</u>	<u>2004</u>
Program expenses	\$ 80,737,612	\$ 70,551,014
Management and general expenses	<u>6,082,145</u>	<u>5,637,986</u>
Total functional expenses	<u>\$ 86,819,757</u>	<u>\$ 76,189,000</u>

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004

(8) Insurance

Through March 2004, NARBHA maintained professional, general, property and other liability coverage on a claims-made basis through commercial insurance carriers. Effective April 2004, NARBHA, along with seven of its subcontracted providers, entered into a contractual agreement to form the Behavioral Health Insurance Pool (BHIP). BHIP is a nonprofit organization formed under Arizona Revised Statute (ARS) 41.621. ARS 41.621 is an Arizona statute which allows contractors and subcontractors with the state of Arizona to form insurance pools. BHIP functions as a self-insurance administrator which, through its risk-sharing provisions, provides NARBHA, and seven of its subcontracted providers, with insurance coverage for professional, general, property and other liability exposure. NARBHA's per-claim coverage is \$2 million, with an aggregate maximum annual coverage of \$10 million, and a self-insured retention of \$250,000 per claim which is funded through the risk-sharing provisions of BHIP. In addition, BHIP has an umbrella policy, which extends coverage an additional \$10 million.

BHIP provides NARBHA with claims made insurance coverage using a combination of self-insured retentions and excess commercial insurance coverage. BHIP has engaged the services of a professional actuarial consultant for the determination of premiums to be assessed to participants under the plan of coverage. As a self-insurance administrator, BHIP enables risk sharing among participating contractors. NARBHA is required to pay assessed premiums and is subject to a per claim self-insured retention, which is funded through the risk-sharing provisions of BHIP. In April 2005, BHIP paid the annual premium for NARBHA of \$169,924. NARBHA then entered into a contract to repay BHIP on a quarterly basis. At June 30, 2005, NARBHA owed BHIP \$127,150 under this agreement which is included in accounts payable and accrued expenses. At June 30, 2005, NARBHA had prepaid insurance in the same amount which is included in prepaid expenses. In 2004, NARBHA prepaid the entire BHIP premium and recorded prepaid insurance of approximately \$128,000 which is included in prepaid expenses and other deposits at June 30, 2004. Insurance expense under the BHIP program, which was effective for the year beginning April 1, amounted to approximately \$43,000 for the three months ended June 30, 2004 and \$166,000 for the year ended June 30, 2005.

BHIP may retroactively assess participants an amount not to exceed the last annual premium per coverage year based on adverse participant-specific claims experience as defined in the policy. Based on NARBHA's historical claims experience and exposure to date with BHIP, no reserves have been established at June 30, 2005 for retroactive premium assessments. Tail coverage was included in the 2004 BHIP premiums.

Losses on medical malpractice claims are estimated based on claims in excess of per-claim coverage or aggregate coverage during the claim year. These estimates reflect NARBHA's best estimate of the ultimate costs of reported and unreported claims, using NARBHA's past experience, industry experience and identified asserted claims and reported incidents. There were no estimated or incurred losses on medical malpractice claims for the years ended June 30, 2005 or 2004.

(9) Pension plan

NARBHA has a defined contribution pension and retirement plan. Pension costs are current service costs which are accrued and funded on a current basis. NARBHA contributes at a rate of 5% of the annual salary of employees after two years of service. The contribution rate increases 1% for each two years of continued employment, commencing after two years of participation, up to a maximum contribution of 10%. In addition, employees may contribute up to 20% of their salaries to the plan. Pension expense was \$195,888 and \$183,695 for years ended June 30, 2005 and 2004, respectively.

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004

(10) Postretirement benefits

In December 2002, the NARBHA Board authorized the establishment of a Deferred Compensation plan for NARBHA's senior management, which is based on years of service and a projected retirement date. Benefits are payable upon termination of employment. The Deferred Compensation plan had obligations of \$320,000 at June 30, 2005 and \$300,000 at June 30, 2004, if certain participant conditions are met. The plan was fully funded at June 30, 2005.

(11) Commitments and contingencies

Contract Compliance - In accordance with its contract with ADHS, NARBHA is required to maintain certain minimum financial reporting and viability measures.

Pursuant to its contract with ADHS, NARBHA must maintain unrestricted, minimum capitalization of at least 90% of monthly receipts.

NARBHA's contract with ADHS contains various quarterly financial performance requirements, the most restrictive of which requires NARBHA to maintain minimum liquidity and equity ratios and limits the amounts of administrative expenses that may be funded with ADHS contract funds. Management believes NARBHA was in compliance with these requirements at June 30, 2005 and 2004.

Should NARBHA be in default of any material obligations under its contract with ADHS, ADHS may, at its discretion, in addition to other remedies, either adjust the amount of future payment or withhold future payment until satisfactory resolution of the default or exception. In addition, although it has not expressed an intention to do so, ADHS has the right to terminate the contract in whole or in part without cause by giving NARBHA 90 days written notice. Further, if monies are not appropriated by the state or are not otherwise available, the contract with ADHS may be cancelled upon written notice until such monies are so appropriated or available.

Litigation - Periodically, NARBHA is involved in litigation and claims arising in the normal course of operations. In the opinion of management, based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial.

Healthcare regulation - The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. At June 30, 2005 and 2004, NARBHA was not a Medicare certified facility and did not derive any of its revenue from the provision of services to Medicare beneficiaries. Management believes that NARBHA is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time.

(12) Concentration of credit risk

A substantial portion of contracts receivable is due from ADHS and is not collateralized. Management believes any loss due to a concentration of credit risk will be minimal. The estimated value of ADHS receivables at June 30, 2005 and 2004 was approximately \$14,000 and \$3,868,000, respectively.

NARBHA currently holds a contract with ADHS to provide services through June 30, 2008 with a provision for two one-year extensions. Management expects the contract to be renewed through the respective renewal process.

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2005 and 2004

(13) Subsequent event

In September 2005, NARBHA sold its Elm Avenue building for approximately \$964,000. The building was previously vacant and had a net book value at June 30, 2005 of approximately \$548,000.

SUPPLEMENTAL INFORMATION

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2005

	TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT
REVENUES								
Revenue Under ADHS Contract	\$ 14,140,360	\$ 6,502,526	\$ 1,335,328	\$ 1,616,257	\$ 729,953	\$ 42,399	\$ 32,010,322	\$ 977,266
Specialty & Other Grants*	-	-	-	-	-	-	-	-
Client Fees (Co-pays)	-	-	-	-	-	-	-	-
Third Party Recoveries	-	-	-	-	-	-	-	-
Medicare	-	-	-	-	-	-	-	-
Other Insurance	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other Funding Sources - Non ADHS*	-	-	-	-	-	-	-	-
Unrelated Business Activities*	-	-	-	-	-	-	-	-
TOTAL REVENUE	\$ 14,140,360	\$ 6,502,526	\$ 1,335,328	\$ 1,616,257	\$ 729,953	\$ 42,399	\$ 32,010,322	\$ 977,266
EXPENSES								
Service Expenses:								
Treatment Services								
Counseling:								
Counseling, Individual	\$ 980,706	\$ 313,789	\$ 31,813	\$ 201,945	\$ 70,508	\$ -	\$ 747,561	\$ 7,962
Counseling, Family	728,309	226,345	32,628	82,416	67,534	-	55,227	1,041
Counseling, Group	271,579	68,215	6,194	85,379	10,280	-	315,673	1,053
Consultation, Assessment & Specialized Testing	670,485	135,029	29,121	76,763	42,928	-	393,175	13,706
Other Professional	-	-	-	-	-	-	-	-
Total Treatment Services	2,651,079	743,378	99,756	446,503	191,250	-	1,511,636	23,762
Rehabilitation Services								
Living Skills Training	667,760	110,538	34,617	108,219	27,104	-	1,659,354	24,334
Cognitive Rehabilitation	5,052	534	-	4,032	314	-	164,213	2,238
Health Promotion	13,055	-	-	-	87	-	345,465	12,685
Supported Employment Services	685,867	111,072	34,617	112,251	27,505	-	2,169,031	39,256
Total Rehabilitation Services	1,471,674	222,144	69,234	224,482	55,006	-	4,274,062	76,473
Medical Services								
Medication Services	-	-	-	-	-	-	74,347	3,141
Medical Management	747,633	114,490	80,660	52,557	57,430	-	1,161,859	32,178
Laboratory, Radiology & Medical Imaging	21,377	922	1,223	1,857	1,018	-	37,591	929
Electro-Convulsive Therapy	-	-	-	-	-	-	902	-
Total Medical Services	769,010	115,412	81,883	54,414	58,448	-	1,274,698	36,249
Support Services								
Case Management	3,149,312	1,375,093	332,174	409,598	184,021	-	6,331,319	150,981
Personal Assistance	27,676	2,433	3,634	401	49	-	122,586	95,952
Family Support	182,472	81,206	22,318	12,572	7,666	-	5,705	76
Peer Support	835	-	-	-	-	-	1,836	-
Therapeutic Foster Care Services	158,596	1,146,605	-	8,441	9,876	-	14,742	-
Respite Care	485,070	134,259	-	25,656	17,501	-	46,384	-
Housing Support	-	236	-	-	-	-	410	-
Interpreter Services	1,466	-	-	530	-	-	-	-
Flex Fund Services	-	-	-	12,518	-	-	-	-
Transportation	373,138	109,919	22,904	32,546	14,080	-	998,873	10,898
Block Purchase NTXIX Consumer Drop In Center	-	-	-	-	-	-	-	-
Total Support Services	4,378,565	2,849,751	381,030	502,262	233,193	-	7,521,854	257,907
Crisis Intervention Services								
Crisis Intervention - Mobile	33,510	23,318	5,953	19,476	2,017	-	212,067	4,062
Crisis Services	-	-	-	-	-	-	10,992	516
Crisis Phones	54,478	-	-	17,508	6,678	-	64,331	-
Total Crisis Intervention Services	87,988	23,318	5,953	36,984	8,695	-	287,390	4,578

Amounts expressed in whole dollars, differences are due to rounding

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2005

	TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT
Service Expenses (continued)								
Inpatient Services								
Hospital:								
Psychiatric (Provider Types 02 & 71)	219,556	189,440	53,508	24,899	3,295	-	1,101,407	48,514
Detoxification (Provider Types 02 & 71)	-	-	-	-	-	-	-	-
Sub-acute Facility:								
Psychiatric (Provider Types B5 & B6)	-	-	-	-	-	-	4,312,044	69,154
Detoxification (Provider Types B5 & B6)	-	-	-	-	-	-	-	-
Residential Treatment Center (RTC):								
Psychiatric - Secure & Non-Secure (Provider Types 78,B1,B2,B3)	1,749,506	537,189	125,425	66,690	24,326	-	-	-
Detoxification - Secure & Non-Secure (Provider Types 78,B1,B2,B3)	-	-	-	-	-	-	-	-
Inpatient Services, Professional	24,321	10,141	939	2,049	1,361	-	467,747	4,905
Total Inpatient Services	1,993,383	736,770	179,872	93,638	28,982	-	5,881,197	122,573
Residential Services								
Level II Behavioral Health Residential Facilities	946,455	1,245,174	277,783	87,243	24,479	-	1,809,693	-
Level III Behavioral Health Residential Facilities	-	-	-	-	-	-	73,570	-
Room and Board	57,877	14,853	19,926	5,162	3,615	-	230,574	-
Total Residential Services	1,004,332	1,260,027	297,709	92,405	28,094	-	2,113,837	-
Behavioral Health Day Program								
Supervised Day Program	-	1,665	-	-	-	-	535,490	1,374
Therapeutic Day Program	8,464	2,322	-	-	-	-	27,125	-
Medical Day Program	-	-	-	-	-	-	-	-
Total Behavioral Health Day Program	8,464	3,987	-	-	-	-	562,615	1,374
Prevention Services								
Prevention	-	-	-	-	-	-	-	-
HIV	-	-	-	-	-	-	-	-
Total Prevention Services	-	-	-	-	-	-	-	-
Medication								
Medication Expense	1,744,126	290,322	459,228	97,502	132,310	-	6,721,307	409,669
Less Pharmacy Rebate Received	(23,091)	(3,640)	(6,143)	(1,363)	(1,761)	-	(88,592)	(5,398)
Pharmacy Rebate Related Expense	7,607	880	1,351	458	597	-	30,352	1,163
Total Medication Services	1,728,642	287,562	454,436	96,597	131,146	-	6,663,067	405,444
Other ADHS Service Expenses Not Rpt'd Above*	29,752	11,432	2,885	82,174	1,531	69,920	59,785	2,405
ADHS/DOC COOL	-	-	-	-	-	-	-	-
Subtotal ADHS Service Expenses	13,337,082	6,142,709	1,538,141	1,517,228	708,844	69,920	28,045,109	893,548
Service Expenses from Non ADHS Sources*	-	-	-	-	-	-	-	-
Total Service Expense	13,337,082	6,142,709	1,538,141	1,517,228	708,844	69,920	28,045,109	893,548
Administrative Expenses:								
Salaries	542,485	201,881	54,220	55,852	28,187	18,009	1,043,009	45,234
Employee Benefits	135,317	51,680	13,878	13,594	6,826	4,053	271,864	11,893
Professional & Outside Services	11,125	41	654	1,611	496	2,824	27,689	791
Travel	14,203	5,922	1,215	1,695	714	417	29,027	1,057
Occupancy	40,991	18,382	3,272	3,703	2,138	638	90,886	2,774
Depreciation	45,592	20,431	4,167	4,268	2,354	527	101,230	3,262
All Other Operating*	116,293	49,803	10,436	11,246	5,903	2,155	256,853	8,236
Subtotal ADHS Administrative Expenses	906,006	348,140	87,842	91,969	46,618	28,623	1,820,558	73,247
Non ADHS Administrative Expenses*	-	-	-	-	-	-	-	-
Unrelated Admin. Expense*	-	-	-	-	-	-	-	-
Subtotal Administrative Expense	906,006	348,140	87,842	91,969	46,618	28,623	1,820,558	73,247
Unrelated Business Expenses*	-	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 14,243,088	\$ 6,490,849	\$ 1,625,983	\$ 1,609,197	\$ 755,462	\$ 98,543	\$ 29,865,667	\$ 966,795
INC/(DEC) IN NET ASSETS	\$ (102,728)	\$ 11,677	\$ (290,655)	\$ 7,060	\$ (25,509)	\$ (56,144)	\$ 2,144,655	\$ 10,471

*Disclose on Schedule 2

Amounts expressed in whole dollars, differences are due to rounding

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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2005

	NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE
REVENUES								
Revenue Under ADHS Contract	\$ 9,700,213	\$ 281,301	\$ 23,883	\$ -	\$ 13,461,146	\$ 118,263	\$ 298,400	\$ 4,627,460
Specialty & Other Grants*	730	-	-	-	-	-	-	-
Client Fees (Co-pays)	-	-	-	-	-	-	-	-
Third Party Recoveries	-	-	-	-	-	-	-	-
Medicare	-	-	-	-	-	-	-	-
Other Insurance	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-
Other Funding Sources - Non ADHS*	-	-	-	-	-	-	-	-
Unrelated Business Activities*	-	-	-	-	-	-	-	-
TOTAL REVENUE	\$ 9,700,943	\$ 281,301	\$ 23,883	\$ -	\$ 13,461,146	\$ 118,263	\$ 303,326	\$ 4,677,460
EXPENSES								
Service Expenses:								
Treatment Services								
Counseling:								
Counseling, Individual	\$ 178,435	\$ 29,150	\$ 3,845	\$ -	\$ 910,914	\$ 10,419	\$ 14,596	\$ 203,257
Counseling, Family	8,599	-	-	-	46,622	774	812	5,226
Counseling, Group	82,068	1,062	1,282	-	1,174,104	5,848	4,447	1,131,601
Consultation, Assessment & Specialized Testing	110,598	7,642	2,587	-	1,051,606	10,137	17,291	378,648
Other Professional	-	-	-	-	-	-	-	-
Total Treatment Services	379,699	37,853	7,714	-	3,183,246	27,178	37,146	1,718,732
Rehabilitation Services								
Living Skills Training	203,492	7,654	523	-	104,363	1,534	3,117	23,689
Cognitive Rehabilitation	-	-	-	-	-	-	-	-
Health Promotion	45,491	570	74	-	62,328	153	378	95,623
Supported Employment Services	64,714	2,955	-	-	8,951	-	578	242
Total Rehabilitation Services	313,696	11,178	597	-	175,642	1,687	4,073	119,554
Medical Services								
Medication Services	13,879	-	-	-	252,278	-	-	20,915
Medical Management	314,597	65,701	2,543	-	816,054	9,240	11,906	57,556
Laboratory, Radiology & Medical Imaging	15,500	547	87	-	21,338	188	659	2,076
Electro-Convulsive Therapy	-	-	-	-	-	-	-	-
Total Medical Services	343,976	66,248	2,629	-	1,089,670	9,428	12,565	80,547
Support Services								
Case Management	1,380,643	104,349	7,156	-	2,590,263	18,970	49,827	411,194
Personal Assistance	13,310	-	-	-	134,995	727	337	191,321
Family Support	2,205	-	-	-	4,282	-	53	30
Peer Support	89	-	-	-	6,859	14	-	1,887
Therapeutic Foster Care Services	-	-	-	-	-	-	-	-
Respite Care	-	-	-	-	102	-	-	-
Housing Support	5,624	-	-	-	6,455	-	-	1,560
Interpreter Services	521	-	-	-	570	-	39	6,148
Flex Fund Services	11,792	-	-	-	-	-	-	8,560
Transportation	165,076	449	293	-	425,212	393	4,074	44,071
Block Purchase NTXIX Consumer Drop In Center	-	-	-	-	-	-	-	-
Total Support Services	1,579,259	104,798	7,449	-	3,168,738	20,104	54,330	664,771
Crisis Intervention Services								
Crisis Intervention - Mobile	44,564	-	950	-	113,724	338	17,079	40,910
Crisis Services	3,409	-	-	-	87	-	-	-
Crisis Phones	15,538	-	-	-	40,582	-	22,325	2,007
Total Crisis Intervention Services	63,511	-	950	-	154,393	338	39,404	42,917

Amounts expressed in whole dollars, differences are due to rounding

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2005

	NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE
Service Expenses (continued)								
Inpatient Services								
Hospital:								
Psychiatric (Provider Types 02 & 71)	448,545	-	-	-	208,377	-	432	-
Detoxification (Provider Types 02 & 71)	52,616	-	-	-	104,088	-	-	-
Sub-acute Facility:								
Psychiatric (Provider Types B5 & B6)	1,881,777	-	-	-	868,039	-	-	406,908
Detoxification (Provider Types B5 & B6)	144,044	-	-	-	379,894	-	-	-
Residential Treatment Center (RTC):								
Psychiatric - Secure & Non-Secure (Provider Types 78,B1,B2,B3)	-	-	-	-	-	-	-	-
Detoxification - Secure & Non-Secure (Provider Types 78,B1,B2,B3)	-	-	-	-	-	-	-	-
Inpatient Services, Professional	130,086	-	127	-	91,661	166	13,759	28,588
Total Inpatient Services	2,657,068	-	127	-	1,652,059	166	14,191	435,496
Residential Services								
Level II Behavioral Health Residential Facilities	61,027	-	-	-	489,435	86	9,240	738,033
Level III Behavioral Health Residential Facilities	28,750	-	-	-	-	-	-	-
Room and Board	15,388	-	-	-	77,132	35	464	26,387
Total Residential Services	105,164	-	-	-	566,567	121	9,704	764,420
Behavioral Health Day Program								
Supervised Day Program	92,770	-	-	-	113,832	-	332	168
Therapeutic Day Program	3,058	-	-	-	71,855	684	305	29,988
Medical Day Program	-	-	-	-	-	-	-	-
Total Behavioral Health Day Program	95,828	-	-	-	185,687	684	637	30,156
Prevention Services								
Prevention	-	-	-	-	-	-	-	-
HIV	-	-	-	-	-	-	-	-
Total Prevention Services	-	-	-	-	-	-	-	76,818
Medication								
Medication Expense	2,796,316	28,063	2,732	-	3,631,927	46,467	122,448	37,507
Less Pharmacy Rebate Received	(36,848)	(345)	(41)	-	(47,973)	(629)	(2,186)	-
Pharmacy Rebate Related Expense	12,292	106	13	-	16,071	194	735	-
Total Medication Services	2,771,760	27,824	2,704	-	3,600,025	46,032	120,997	37,507
Other ADHS Service Expenses Not Rpt'd Above*	278,180	-	48	-	150,433	-	544	136,286
ADHS/DOC COOL								
Subtotal ADHS Service Expenses	8,588,142	247,902	22,219	-	13,926,460	105,738	293,591	4,109,203
Service Expenses from Non ADHS Sources*	-	-	-	-	-	-	-	-
Total Service Expense	8,588,142	247,902	22,219	-	13,926,460	105,738	293,591	4,109,203
Administrative Expenses:								
Salaries	307,055	9,263	822	10,972	440,822	3,894	10,867	171,186
Employee Benefits	79,630	2,376	213	2,888	113,832	997	2,706	44,289
Professional & Outside Services	7,649	232	20	466	10,184	94	126	4,125
Travel	10,317	263	22	329	12,326	110	229	5,391
Occupancy	27,248	815	69	1,263	38,893	337	442	15,441
Depreciation	30,195	901	78	1,271	43,390	374	596	16,944
All Other Operating*	74,182	2,234	224	3,060	115,043	933	1,585	41,415
Subtotal ADHS Administrative Expenses	536,256	16,084	1,448	20,249	774,490	6,739	16,551	298,791
Non ADHS Administrative Expenses*	-	-	-	-	-	-	-	-
Unrelated Admin. Expense*	536,256	16,084	1,448	20,249	774,490	6,739	16,551	298,791
Subtotal Administrative Expense	9,124,398	263,986	23,667	20,249	14,700,950	112,477	315,068	4,457,995
Unrelated Business Expenses*	-	-	-	-	-	-	-	-
TOTAL EXPENSES	576,545	17,315	216	(20,249)	(1,239,804)	5,786	(11,742)	219,465
INC/(DEC) IN NET ASSETS								

*Disclose on Schedule 2

Amounts expressed in whole dollars, differences are due to rounding

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2005

	PREVENTION INTERVENTION	PASRR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
REVENUES							
Revenue Under ADHS Contract	\$ 1,030,749	\$ 2,700	\$ 167,603	\$ -	\$ 87,066,129	\$ -	\$ 87,066,129
Specialty & Other Grants*	-	-	-	91,440	92,170	-	92,170
Client Fees (Co-pays)	-	-	-	-	-	-	-
Third Party Recoveries	-	-	-	-	-	-	-
Medicare	-	-	-	-	-	-	-
Other Insurance	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	127,057	127,057
Other Funding Sources - Non ADHS*	-	-	-	950	950	91,524	92,474
Unrelated Business Activities*	5,000	-	-	-	59,926	700,000	759,926
TOTAL REVENUE	\$ 1,035,749	\$ 2,700	\$ 167,603	\$ 92,390	\$ 87,219,175	\$ 918,581	\$ 88,137,756
EXPENSES							
Service Expenses:							
Treatment Services							
Counseling:							
Counseling, Individual	\$ -	\$ -	\$ -	\$ -	\$ 3,704,900	\$ -	\$ 3,704,900
Counseling, Family	-	-	-	-	1,255,533	-	1,255,533
Counseling, Group	-	-	-	-	3,158,784	-	3,158,784
Consultation, Assessment & Specialized Testing	-	-	-	-	2,939,716	-	2,939,716
Other Professional	-	-	-	-	-	-	-
Total Treatment Services	-	-	-	-	11,058,932	-	11,058,932
Rehabilitation Services							
Living Skills Training	-	-	-	-	2,976,297	-	2,976,297
Cognitive Rehabilitation	-	-	-	-	-	-	-
Health Promotion	-	-	-	-	380,999	-	380,999
Supported Employment Services	-	-	-	-	448,731	-	448,731
Total Rehabilitation Services	-	-	-	-	3,806,026	-	3,806,026
Medical Services							
Medication Services	-	-	-	-	364,560	-	364,560
Medical Management	-	-	-	-	3,524,404	-	3,524,404
Laboratory, Radiology & Medical Imaging	-	-	-	-	105,311	-	105,311
Electro-Convulsive Therapy	-	-	-	-	902	-	902
Total Medical Services	-	-	-	-	3,995,177	-	3,995,177
Support Services							
Case Management	-	-	-	-	16,494,900	-	16,494,900
Personal Assistance	-	-	-	-	593,420	-	593,420
Family Support	-	-	-	-	318,584	-	318,584
Peer Support	-	-	-	-	11,520	-	11,520
Therapeutic Foster Care Services	-	-	-	-	1,338,260	-	1,338,260
Respite Care	-	-	-	-	662,588	-	662,588
Housing Support	-	-	-	-	60,022	-	60,022
Interpreter Services	-	-	-	-	9,920	-	9,920
Flex Fund Services	-	-	-	-	32,870	-	32,870
Transportation	-	-	-	-	2,201,927	-	2,201,927
Block Purchase NTXIX Consumer Drop In Center	-	-	-	-	-	-	-
Total Support Services	-	-	-	-	21,724,012	-	21,724,012
Crisis Intervention Services							
Crisis Intervention - Mobile	-	-	-	-	517,968	-	517,968
Crisis Services	-	-	-	-	15,004	-	15,004
Crisis Phones	-	-	-	-	223,446	-	223,446
Total Crisis Intervention Services	-	-	-	-	756,418	-	756,418

Amounts expressed in whole dollars, differences are due to rounding

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 1 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES
Year Ended June 30, 2005

	PREVENTION INTERVENTION	PASRR	ADHS DOC	OTHER	SUB TOTAL	PROGRAM ADMIN & MGMT/GEN	TOTAL
Service Expenses (continued)							
Inpatient Services							
Hospital:							
Psychiatric (Provider Types 02 & 71)	-	-	-	-	2,297,973	-	2,297,973
Detoxification (Provider Types 02 & 71)	-	-	-	-	156,704	-	156,704
Sub-acute Facility:							
Psychiatric (Provider Types B5 & B6)	-	-	-	-	7,537,922	-	7,537,922
Detoxification (Provider Types B5 & B6)	-	-	-	-	523,938	-	523,938
Residential Treatment Center (RTC):							
Psychiatric - Secure & Non-Secure (Provider Types 78,B1,B2,B3)	-	-	-	-	2,503,136	-	2,503,136
Detoxification - Secure & Non-Secure (Provider Types 78,B1,B2,B3)	-	-	-	-	-	-	-
Inpatient Services, Professional	-	-	-	-	775,849	-	775,849
Total Inpatient Services	-	-	-	-	13,795,522	-	13,795,522
Residential Services							
Level II Behavioral Health Residential Facilities					5,688,648	-	5,688,648
Level III Behavioral Health Residential Facilities					102,320	-	102,320
Room and Board					451,413	-	451,413
Total Residential Services	-	-	-	-	6,242,381	-	6,242,381
Behavioral Health Day Program							
Supervised Day Program	-	-	-	-	745,631	-	745,631
Therapeutic Day Program	-	-	-	-	143,801	-	143,801
Medical Day Program	-	-	-	-	-	-	-
Total Behavioral Health Day Program	-	-	-	-	889,432	-	889,432
Prevention Services							
Prevention	841,266	-	-	-	841,266	-	841,266
HIV	841,266	-	-	-	76,818	-	76,818
Total Prevention Services	-	-	-	-	918,084	-	918,084
Medication							
Medication Expense	-	-	-	-	16,519,924	-	16,519,924
Less Pharmacy Rebate Received	-	-	-	-	(218,000)	-	(218,000)
Pharmacy Rebate Related Expense	-	-	-	-	71,819	-	71,819
Total Medication Services	-	-	-	-	16,373,743	-	16,373,743
Other ADHS Service Expenses Not Rpt'd Above*	53,202	2,700	46,872	-	930,149	-	930,149
ADHS/DOC COOL	-	-	111,043	-	111,043	-	111,043
Subtotal ADHS Service Expenses	894,468	2,700	157,915	-	80,600,919	-	80,600,919
Service Expenses from Non ADHS Sources*	-	-	-	76,766	76,766	-	76,766
Total Service Expense	894,468	2,700	157,915	76,766	80,677,685	-	80,677,685
Administrative Expenses:							
Salaries	68,498	-	17,248	-	3,029,504	-	3,029,504
Employee Benefits	18,642	-	4,250	-	778,928	-	778,928
Professional & Outside Services	5,096	-	(192)	-	73,031	-	73,031
Travel	6,687	-	253	-	90,177	-	90,177
Occupancy	2,962	-	174	-	250,428	-	250,428
Depreciation	3,235	-	976	-	279,791	-	279,791
All Other Operating*	19,228	-	164	-	718,973	-	718,973
Subtotal ADHS Administrative Expenses	124,348	-	22,873	-	5,220,832	-	5,220,832
Non ADHS Administrative Expenses*	-	-	-	15,864	15,864	212,431	228,295
Unrelated Admin. Expense*	-	-	-	-	-	633,018	633,018
Subtotal Administrative Expense	124,348	-	22,873	15,864	5,236,696	845,449	6,082,145
Unrelated Business Expenses*	5,000	-	-	-	59,926	-	59,926
TOTAL EXPENSES	1,023,816	2,700	180,788	92,630	85,974,307	845,450	86,819,757
INC/(DEC) IN NET ASSETS	11,933	0	(13,185)	(240)	1,244,868	73,132	1,317,999

*Disclose on Schedule 2

Amounts expressed in whole dollars, differences are due to rounding
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NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
 Year Ended June 30, 2005

	TXIX CHILD	TXIX CMDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXXI CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT
DISCLOSURE OF OTHER ADHS REVENUE								
Total Other - Other Column	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF OTHER GRANTS REPORTED								
DES/RSA Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Co-occurring Grant from prior year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF OTHER REVENUE REPORTED								
Sanction fees Assessed SAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Greater Antz Telemed Consortium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DES/RSA Training	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain on sale of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of Non Capitalized Assets and Training Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UNRELATED BUSINESS ACTIVITIES REPORTED								
Provider support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Littlefield Disaster Relief funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SAPT funds for Hopi Nation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Unrelated Business Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES								
SMI Homeless	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Arnold vs Sam Housing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Substance Abuse - Rural Detox	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PASRR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Children HB2003/CMHS Coaching & Training	\$ -	\$ -	\$ -	11,333	\$ -	69,920	\$ -	\$ -
Prevention - Family Leadership Committee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Suicide Prevention Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coaching & Training CMHS Block Grant	\$ -	\$ -	\$ -	67,932	\$ -	\$ -	\$ -	\$ -
COOL Liaison	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Training Monies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Video-conferencing svcs allocated to programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total All Other Behavioral Health Services	\$ 29,752	\$ 11,432	\$ 2,885	\$ 2,909	\$ 1,531	\$ 69,920	\$ 59,785	\$ 2,405
	\$ 29,752	\$ 11,432	\$ 2,885	\$ 82,174	\$ 1,531	\$ 69,920	\$ 59,785	\$ 2,405

Amounts expressed in whole dollars, differences are due to rounding

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
 Year Ended June 30, 2005

	TXIX CHILD	TXIX CNDP	TXIX DD CHILD	NTXIX/XXI CHILD	TXIX CHILD	HB2003 CHILD	TXIX SMI	TXIX DD ADULT
DISCLOSURE OF SERVICE EXPENSES FROM NON								
ADHS SOURCES								
DES/RSA Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DES/RSA Training	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Expense Non-ADHS Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF ALL OTHER OPERATING								
Supplies, computer/tele-med maint, printing, phone, recruiting, insurance, surety bond, etc. Sanctions assessed by ADHS	\$ 111,834	\$ 48,923	\$ 10,185	\$ 11,079	\$ 5,853	\$ 2,155	\$ 245,610	\$ 7,977
	4,459	880	251	167	250	-	11,243	259
Total All Other Operating	\$ 116,293	\$ 49,803	\$ 10,436	\$ 11,246	\$ 5,903	\$ 2,155	\$ 256,853	\$ 8,236
DISCLOSURE OF NON-ADHS ADMINISTRATIVE								
EXPENSES								
Interest/penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Telemed expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DES/RSA Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-ADHS Admin. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF UNRELATED ADMINISTRATIVE								
EXPENSES								
Provider Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Unrelated Administrative Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF UNRELATED BUSINESS								
EXPENSES								
Payment of SAPT funds to Hopi Nation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Littlefield Disaster Relief funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Unrelated Business Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Amounts expressed in whole dollars, differences are due to rounding

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2005

	NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE
DISCLOSURE OF OTHER ADHS REVENUE								
Total Other - Other Column	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF OTHER GRANTS REPORTED								
DES/RSA Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Co-occurring Grant from prior year	730	-	-	-	-	-	-	-
Total Other Grants	\$ 730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF OTHER REVENUE REPORTED								
Sanction fees Assessed SAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Greater Ariz. Telemed Consortium	-	-	-	-	-	-	-	-
DES/RSA Training	-	-	-	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-	-	-	-
Sale of Non Capitalized Assets and Training Revenue	-	-	-	-	-	-	-	-
Total Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UNRELATED BUSINESS ACTIVITIES REPORTED								
Provider Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Littlefield Disaster Relief funds	-	-	-	-	-	-	4,926	-
SAPT funds for Hopi Nation	-	-	-	-	-	-	-	50,000
Total Unrelated Business Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,926	\$ 50,000
DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES								
SMI Homeless	\$ 110,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Arnold vs Sam Housing	150,000	-	-	-	-	-	-	-
Substance Abuse - Rural Detox	-	-	-	-	125,000	-	-	125,000
PASRR	-	-	-	-	-	-	-	-
Children HB2003/CMHS Coaching & Training	-	-	-	-	-	-	-	-
Prevention - Family Leadership Committee	-	-	-	-	-	-	-	-
Suicide Prevention Project	-	-	-	-	-	-	-	-
Coaching & Training CMHS Block Grant	-	-	-	-	-	-	-	-
COOL Liaison	-	-	-	-	-	-	-	-
Training Monies	-	-	-	-	-	-	-	-
Video-conferencing svcs allocated to programs	17,611	-	48	-	25,433	-	544	3,364
Total All Other Behavioral Health Services	\$ 278,180	\$ -	\$ 48	\$ -	\$ 150,433	\$ -	\$ 544	\$ 9,922
								\$ 138,286

Amounts expressed in whole dollars, differences are due to rounding

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2005

	NTXIX/XXI SMI	HIFA II SMI	TXXI ADULT	HB2003 SMI	TXIX GMHSA	HIFA II GMH	MENTAL HEALTH	SUBSTANCE ABUSE
DISCLOSURE OF SERVICE EXPENSES FROM NON								
ADHS SOURCES								
DES/RSA Grant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DES/RSA Training	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Expense Non-ADHS Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF ALL OTHER OPERATING								
Supplies, computer/tele-med maint, printing,	\$ 73,995	\$ 2,036	\$ 54	\$ 3,060	\$ 105,105	\$ 753	\$ 1,419	\$ 41,249
phone, recruiting, insurance, surety bond, etc.	167	198	170	-	9,938	180	166	166
Sanctions assessed by ADHS	\$ 74,162	\$ 2,234	\$ 224	\$ 3,060	\$ 115,043	\$ 933	\$ 1,585	\$ 41,415
Total All Other Operating								
DISCLOSURE OF NON-ADHS ADMINISTRATIVE								
EXPENSE								
Interest/penalties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Telemed expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DES/RSA Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-ADHS Admin. Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF UNRELATED ADMINISTRATIVE								
EXPENSES								
Provider Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Unrelated Administrative Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF UNRELATED BUSINESS								
EXPENSES								
Payment of SAPT funds to Hopi Nation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Littfield Disaster Relief funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,926	\$ -
Total Unrelated Business Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,926	\$ 50,000

Amounts expressed in whole dollars, differences are due to rounding

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2005

	PREVENTION INTERVENTION	PASRR	ADHS DOC	OTHER	SUBTOTAL	PROGRAM ADMIN/MGMT/ GEN	TOTAL
DISCLOSURE OF OTHER ADHS REVENUE							
Total Other - Other Column	-	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISCLOSURE OF OTHER GRANTS REPORTED							
DES/RSA Grant	\$ -	\$ -	\$ -	\$ 91,440	\$ 91,440	\$ -	\$ 91,440
Co-occurring Grant from prior year	-	-	-	-	730	-	730
Total Other Grants	\$ -	\$ -	\$ -	\$ 91,440	\$ 92,170	\$ -	\$ 92,170
DISCLOSURE OF OTHER REVENUE REPORTED							
Sanction fees Assessed SAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,500	\$ 32,500
Greater Ariz Telemed Consortium	-	-	-	-	-	43,167	43,167
DES/RSA Training	-	-	-	950	950	-	950
Gain on sale of assets	-	-	-	-	-	7,383	7,383
Sale of Non Capitalized Assets and Training Revenue	-	-	-	-	-	8,474	8,474
Total Other Revenue	\$ -	\$ -	\$ -	\$ 950	\$ 950	\$ 91,524	\$ 92,474
UNRELATED BUSINESS ACTIVITIES REPORTED							
Provider Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700,000	\$ 700,000
Littlefield Disaster Relief funds	-	-	-	-	4,926	-	4,926
SAPT funds for Hopi Nation	5,000	-	-	-	55,000	-	55,000
Total Unrelated Business Activities	\$ 5,000	\$ -	\$ -	\$ -	\$ 59,926	\$ 700,000	\$ 759,926
DISCLOSURE OF ALL OTHER BEHAVIORAL HEALTH SERVICES							
SMI Homeless	\$ -	\$ -	\$ -	\$ -	\$ 110,569	\$ -	\$ 110,569
Arnold vs Sarn Housing	-	-	-	-	150,000	-	150,000
Substance Abuse - Rural Detox	-	-	-	-	250,000	-	250,000
PASRR	-	2,700	-	-	2,700	-	2,700
Children HB2003/CMHS Coaching & Training	-	-	-	-	81,253	-	81,253
Prevention - Family Leadership Committee	9,148	-	-	-	9,148	-	9,148
Suicide Prevention Project	40,300	-	-	-	40,300	-	40,300
Coaching & Training CMHS Block Grant	-	-	-	-	67,932	-	67,932
COOL Liaison	-	-	46,872	-	46,872	-	46,872
Training Monies	-	-	-	-	3,364	-	3,364
Video-conferencing svcs allocated to programs	3,754	-	-	-	168,011	-	168,011
Total All Other Behavioral Health Services	\$ 53,202	\$ 2,700	\$ 46,872	\$ -	\$ 930,149	\$ -	\$ 930,149

Amounts expressed in whole dollars, differences are due to rounding

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.
SCHEDULE 2 - SUPPLEMENTAL SCHEDULE OF ACTIVITIES - DISCLOSURES
Year Ended June 30, 2005

	PREVENTION INTERVENTION	PASRR	ADHS DOC	OTHER	SUBTOTAL	PROGRAM ADMIN/MGMT/ GEN	TOTAL
DISCLOSURE OF SERVICE EXPENSES FROM NON							
ADHS SOURCES							
DES/RSA Grant	\$ -	\$ -	\$ -	75,819 \$	75,819 \$	-	75,819
DES/RSA Training	-	-	-	947	947	-	947
Total Service Expense Non-ADHS Sources	\$ -	\$ -	\$ -	76,766 \$	76,766 \$	-	76,766
DISCLOSURE OF ALL OTHER OPERATING							
Supplies, computer/tele-med maint, printing, phone, recruiting, insurance, surety bond, etc.	\$ 19,062	-	\$ 164	-	690,313 \$	-	690,313
Sanctions assessed by ADHS	166	-	-	-	28,660	-	28,660
Total All Other Operating	\$ 19,228	\$ -	\$ 164	-	718,973 \$	-	718,973
DISCLOSURE OF NON-ADHS ADMINISTRATIVE							
EXPENSE							
Interest/penalties	\$ -	\$ -	\$ -	-	-	114,180 \$	114,180
Other Telemed expenses	-	-	-	-	-	98,251	98,251
DES/RSA Grants	-	-	-	15,864	15,864	-	15,864
Total Non-ADHS Admin. Expense	\$ -	\$ -	\$ -	15,864 \$	15,864 \$	212,431 \$	228,295
DISCLOSURE OF UNRELATED ADMINISTRATIVE							
EXPENSES							
Provider Support	\$ -	\$ -	\$ -	-	-	633,018 \$	633,018
Total Unrelated Administrative Expenses	\$ -	\$ -	\$ -	-	-	633,018 \$	633,018
DISCLOSURE OF UNRELATED BUSINESS							
EXPENSES							
Payment of SAPT funds to Hopi Nation	\$ 5,000	\$ -	\$ -	-	55,000 \$	-	55,000
Littlefield Disaster Relief funds	-	-	-	-	4,926	-	4,926
Total Unrelated Business Expenses	\$ 5,000	\$ -	\$ -	-	59,926 \$	-	59,926

Amounts expressed in whole dollars, differences are due to rounding

**NORTHERN ARIZONA REGIONAL BEHAVIORAL
HEALTH AUTHORITY, INC.**

SCHEDULE 3 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

Federal Grantor / Pass-Through Grantor / Program	Federal CFDA Number	Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services			
AZ Department of Economic Security			
Children - Title XIX	93.779	03-2031	\$ 900,045
SMI - Title XIX	93.779	03-2031	658,702
Total AZ Department of Economic Security			<u>1,558,747</u>
 AZ Department of Health Services:			
Mental Health Block Grant (CMHS):			
SMI - Non Title XIX	93.958	03-2031	81,814
Children - Non Title XIX	93.958	03-2031	801,404
Total Mental Health Block Grant			<u>883,218</u>
 Substance Abuse Block Grant (SAPT):			
Substance Abuse/General Mental Health	93.959	03-2031	2,941,049
Prevention	93.959	03-2031	411,293
Total Substance Abuse Block Grant			<u>3,352,342</u>
 Centers for Medicare and Medicaid Services			
(CMS) Research, Demonstrations and Evaluations:			
SMI - Title XIX	93.779	03-2031	10,562,395
Children - Title XIX	93.779	03-2031	13,800,647
Substance Abuse/General Mental Health - Title XIX	93.779	03-2031	4,443,007
PASRR	93.779	03-2031	2,025
Proposition 204	93.779	03-2031	16,166,806
Total CMS Research Demonstration and Evaluations			<u>44,974,880</u>
 Homeless	93.150	03-2031	88,750
KidsCare, Title XXI	93.767	03-2031	886,171
Total AZ Department of Health and Human Services			<u>50,185,361</u>
Total U.S. Department of Health and Human Services			<u>51,744,108</u>
 U.S. Department of Education			
Arizona Department of Economic Security			
RSA - Vocational Rehabilitation Establishment			
Grant Program - SMI	84.126A	E5334603	33,376
RSA - Vocational Rehabilitation Establishment			
Grant Program - SMI	84.126A	E5334604	41,165
Total U.S. Department of Education			<u>75,541</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 51,819,649</u>

See Notes to Schedule of Expenditures of Federal Awards

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

(1) Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ***Northern Arizona Regional Behavioral Health Authority, Inc.*** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

(2) Catalog of federal domestic assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the 2005 *Catalog of Federal Domestic Assistance*.

(3) Subrecipients

Of the federal expenditures presented in the schedule, ***Northern Arizona Regional Behavioral Health Authority, Inc.*** provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Mental Health Block Grant (CMHS)	93.958	\$ 767,295
Substance Abuse Block Grant (SAPT)	93.959	3,046,728
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	42,491,469
Homeless	93.150	82,094
KidsCare, Title XXI	93.767	819,709
RSA - Vocational Rehabilitation Establishment Grant Program - SMI	84.126A	93,500



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.

We have audited the financial statements of **Northern Arizona Regional Behavioral Health Authority, Inc.** at June 30, 2005 and for the year then ended, and have issued our report thereon dated October 10, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Northern Arizona Regional Behavioral Health Authority, Inc.'s** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Northern Arizona Regional Behavioral Health Authority, Inc.'s** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of **Northern Arizona Regional Behavioral Health Authority, Inc.** in a separate letter dated October 10, 2005.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative and regulatory bodies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
October 10, 2005



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of

NORTHERN ARIZONA REGIONAL BEHAVIORAL HEALTH AUTHORITY, INC.

Compliance

We have audited the compliance of **Northern Arizona Regional Behavioral Health Authority, Inc.** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. **Northern Arizona Regional Behavioral Health Authority, Inc.'s** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Northern Arizona Regional Behavioral Health Authority, Inc.'s** management. Our responsibility is to express an opinion on **Northern Arizona Regional Behavioral Health Authority, Inc.'s** compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Northern Arizona Regional Behavioral Health Authority, Inc.'s** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **Northern Arizona Regional Behavioral Health Authority, Inc.'s** compliance with those requirements.

In our opinion, **Northern Arizona Regional Behavioral Health Authority, Inc.** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of **Northern Arizona Regional Behavioral Health Authority, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **Northern Arizona Regional Behavioral Health Authority, Inc.'s** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative and regulatory bodies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Phoenix, Arizona
October 10, 2005

Mayor Hoffman McCann P.C.

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

A. Type of Auditors' Report Issued on the Financial Statements:

The Independent Auditors' Report on the basic financial statements of **Northern Arizona Regional Behavioral Health Authority, Inc.** at and for the year ended June 30, 2005 was an unqualified opinion.

B. Reportable Condition in Internal Control Disclosed by the Audit of the Financial Statements:

The audit of the basic financial statements of **Northern Arizona Regional Behavioral Health Authority, Inc.** at and for the year ended June 30, 2005 disclosed no matters involving the internal control over financial reporting and its operations that are considered by management to be material weaknesses.

C. Noncompliance Material to the Financial Statements:

The audit disclosed no instances of noncompliance material to the basic financial statements of **Northern Arizona Regional Behavioral Health Authority, Inc.** at and for the year ended June 30, 2005.

D. Reportable Conditions in Internal Control over Major Programs:

The audit of compliance of **Northern Arizona Regional Behavioral Health Authority, Inc.** at and for the year ended June 30, 2005 disclosed no reportable conditions.

E. Type of Auditors' Report Issued on Compliance for Major Programs:

The Independent Auditors' Report on compliance with requirements applicable to each major Federal program for the year ended June 30, 2005 was an unqualified opinion.

F. Findings Relating to Major Programs:

As indicated in Section III, the audit disclosed no findings related to major programs for the year ended June 30, 2005.

G. Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Amount Expended</u>
93.779	Centers for Medicare and Medicaid Services (CMS) Research Demonstration and Evaluations	\$ <u>44,974,880</u>
93.779	Children and SMI - Title XIX	\$ <u>1,558,747</u>

H. Threshold for Distinguishing Between Type A and Type B Programs:

The threshold for distinguishing between Type A and Type B programs was \$1,554,589 for the year ended June 30, 2005.

**NORTHERN ARIZONA REGIONAL
BEHAVIORAL HEALTH AUTHORITY, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS (CONTINUED)

I. Qualifications of Auditee as a Low-Risk Auditee:

Northern Arizona Regional Behavioral Health Authority, Inc. qualified as a low-risk auditee under applicable provisions of OMB Circular A-133 for the year ended June 30, 2005.

II. FINANCIAL STATEMENT AUDIT FINDINGS

None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

IV. STATUS OF PRIOR AUDIT FINDINGS

None